The court reversed the district court’s dismissal of Electronics for Imaging’s (EFI) declaratory judgment suit against Coyle. Coyle threatened EFI based on his patents for printing technology. The district court erred in deciding that EFI’s suit did not serve the objectives of the Declaratory Judgment Act, and in deciding that EFI’s position was “certain” and thus lacking the uncertainty necessary for the Act. The court also found under its law that the suit was not merely anticipatory.

Coyle is an inventor on two U.S. patents, Nos. 6,337,746 and 6,618,157, directed to computer printing technology. EFI discussed licensing Coyle’s technology in 1997, but nothing developed from those discussions. It was not until 1999 that the two parties convened again . . . According to EFI, its inquiry to Coyle was made in light of Coyle’s statements concerning progress on the technology and a pending patent application; Coyle also mentioned his own history of filing patent infringement lawsuits against such corporations as Atari, Nintendo, Sega, and NEC Technologies. (Decl. of James L. Etheridge ¶ 2.) In April 2000, the two parties met under a new non-disclosure agreement to discuss possible licensing arrangements, but those talks also ended without any agreement . . . .

In June 2001, Coyle discovered certain EFI sales and marketing information that convinced him that EFI was manufacturing products that were within the scope of Coyle’s patent application, then still pending. . . . Coyle began to pressure EFI on an almost daily basis, threatening to drive EFI out of business. Coyle’s pressure included various inflammatory statements. EFI’s counsel visited Coyle to try to negotiate an end to the dispute, and met with statements such as: “‘I will sue you and I will fight’ and that ‘all hell w[ill] break loose, I will fight until the end . . . .’” Coyle then issued an ultimatum with a deadline, prompting EFI’s declaratory judgment suit.

While procedural, the issue whether Declaratory Judgment jurisdiction was properly granted or denied fell under Federal Circuit law.

[T]he district court erred as a matter of law when it held that EFI suffered no uncertainty of the kind recognized by the Declaratory Judgment Act . . . .

Here, the district court misinterpreted the term “uncertainty” in the context of the Declaratory Judgment Act. The proper inquiry should not have been whether a party is “certain” that its legal position and defense theories are sound, because litigation is rarely “certain,” even if one is confident of one’s position. When a party is threatened as EFI has been, there are other uncertainties, including whether there will be legal proceedings at all, not just whether one will prevail. There is the uncertainty whether one will have to incur the expense and inconvenience of litigation, and how it will affect the threatened party’s customers, suppliers, and shareholders. Reservation of funds for potential damages may be necessary. If “certainty” in one’s position were to preclude invocation of the Act, then the Act would fail to achieve its purpose of promoting resolution of disputes . . . .

“Uncertainty” in the context of the Act refers to the reasonable apprehension created by a patentee’s threats and the looming specter of litigation that results from those threats.